



## Office of Internal Audit Monthly Internal Control Tip

**Be aware of the type(s) of fraud that could occur in your area, agency, or department.**

A key element in any system of internal control is an awareness of the types of fraud that are likely to occur within the various business functions of the organization. Organizational fraud can be divided into two types: internal fraud, also known as occupational fraud, and external fraud. The definition of occupational fraud and external fraud are included below.

**Occupational Fraud** is defined as the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the organization's resources or assets. Types of occupational fraud include the following:

- Assets Misappropriations - the theft or embezzlement of company assets by directors, other fiduciaries or employees.
- Corruption Schemes - the abuse of bestowed power or position to acquire a personal benefit.
- Fraudulent (Financial) Statements - intentional false statement or misrepresentation of the facts made with the intent to deceive another party.

**External Fraud** is defined as any intentional act or omission designed to deceive others, resulting in the organization suffering a loss and/or the perpetrator achieving a gain. External Fraud is perpetrated by individuals outside the organization. Types of external fraud include, but are not limited to the following:

- Theft - the taking of property without the organization's permission or consent.
- Deception – causing (someone) to believe something that is not true, typically in order to gain some personal advantage.
- Computer Hacking - use of a computer to gain unauthorized access to data in a system

If you ever have a concern about fraudulent activity, don't keep it to yourself! Discuss it with the appropriate supervisory personnel. Or if you prefer to remain anonymous, you may report the activity through the Louisville Metro Ethics Tipline.

Via Telephone: 1-888-226-2264

Via Online Reporting: [Louisville Metro Government's Web Reporting System](#)

Guidance regarding the three factors that affect the occurrence of fraud, also known as The Fraud Triangle, will be included in September's Monthly Internal Control Tip.

**This tip is brought to you by the Office of Internal Audit. Previous Monthly Internal Control Tips can be found on the Office of Internal Audit's webpage, located [here](#).**